

BACKGROUND ON THE AGENCY PROFILES

The Legislative Fiscal Division (LFD) has prepared documents discussing each agency of state government, called the “Agency Profile”. This background document:

- 1) Discusses the purpose and scope of the agency profiles.
- 2) Discusses the “overall policy objectives”, including the methodology used to determine and categorize functions.
- 3) Explains many of the terms and concepts used within the individual agency profiles.
- 4) Explains how the agency profile documents relate to the LFD budget analysis prepared for the legislative session.

WHAT ARE THE AGENCY PROFILES?

State government is a large and complex organism. Composed of a number of state agencies providing numerous services through a myriad of activities and programs, the sheer complexity and size means that anyone approaching this organism can quickly find himself or herself overwhelmed not only by its size, but by the sheer volume of information. Decision makers and others often have little sense of the fundamentals of an agency and the major policy choices and trends. Instead, marginal changes frequently become the objective and outcome of discussion and decisions.

In order to understand what state government is and to determine what it should be, decision makers and other interested persons must first know what state government does, the means through which it does it, what it is trying to accomplish, and how decision makers can effect change. Legislative Fiscal Division (LFD) staff has produced a profile of each agency of state government to take a big picture look at each agency, and consequently state government, by addressing the following questions:

- What does the agency do?
 - How large is it? How many persons does it employ?
 - What is its size in relation to the rest of state government?
 - What services does it perform? How does it provide the services (i.e. contracts, benefits, state personnel)?
- How are the services funded? How is the revenue to support the services generated? Who pays?
- What statistics are relevant to the services performed?
- How much does it spend? What are the trends in expenditures over the last several years? Why have expenditures changed?
- Why does the state provide this service? Who are the customers?
- How can decision makers influence the size and/or scope of the agency?

OVERARCHING POLICY OBJECTIVES

Functions and services of each agency are classified in one of several “overarching policy objectives” in the individual agency profiles.

What are “Overarching Policy Objectives”?

The question of what state government does is often couched in terms of the activities being performed or services provided. However, a fundamental approach to priority setting must couple that question with one of why something is being done. By examining this question, the legislature can be in a better position to determine its own priorities of what it wants state government to do and accomplish.

In answering the question of “why”, LFD staff looked at each function of state government and identified 11 different overarching policy objectives that the various functions of state government appeared to serve. Each function was then identified with its primary objective. These policy objectives are not in statute, and have not been specifically articulated by the legislature. LFD staff has identified the list and determined the functional listing. Also, only one objective is listed for each service, which represents the primary policy objective of provision of the service. Other, secondary objectives can exist for any given function.

The following lists and describes each objective as identified by LFD staff.

1. Provision of Justice and Protection of Life and Property¹

Services that provide the means for citizens and government to seek justice and remediation (all courts), and provide protection from violent/fraudulent behavior. Services to operate correctional facilities and programs.

2. Reduction of Incidence and Impacts of Poverty/Disability²

Services that enhance the productivity and productive capacity of economically disadvantaged or disabled (mentally or physically) citizens, and/or enhance their quality of life through reduction of hunger, lack of housing and medical attention, etc.

3. Enhancement and Promotion of the Public Health³

Services designed to improve the quality of life and health of either all citizens, or those pertaining to targeted behaviors or conditions. Reducing the costs to the state of the category above is a corollary purpose.

4. Workforce Support

All services provided that support a trained and productive workforce, including those that are specifically designed to protect their health and economic status. Does not include services designed specifically for the economically or developmentally challenged.

5. Development of Full Educational Potential of State’s Citizens

Provision of public educational services. Does not include training provided by the state such as retraining of displaced workers, or vocational rehabilitation.

6. Consumer/Citizen Protection⁴

Services designed to protect the health and safety of citizens from sources related to activities and/or consumption of products.

7. Economic/Business Development

Services directly related to improving business climate and/or creation of jobs, or designed to aid specific businesses or types of businesses. Those services not specifically directed to this purpose are listed by their primary purpose.

8. Protection, Enhancement, Remediation of Natural Resources

¹ General protection, dispute resolution/mediation, rehabilitation.

² Assistance to economic/physical/mental disadvantaged.

³ Non-direct poverty related.

⁴ Non-justice related, or specific to groups rather than the general public.

Services conducted to protect, or eliminate or alleviate past or current harmful impacts to, the state's natural resources; and/or restore the beauty and/or productive capacity of those resources.

9. Preservation/Enhancement of Recreational/Cultural Resources

Those services not related directly to the health and safety of citizens or the environment, but that enhance the experience of living in or visiting Montana.

10. General Operation of State Government

Operations designed specifically for the operation of state government in support of other programs.

11. Infrastructure – Governmental and Physical

Operations that either provide for the state's physical infrastructure, such as roads, or without which government would not function, such as the legislature and the Governor.

OTHER TERMS AND CONCEPTS

In examining any of the agency profiles, a number of terms and concepts used in state government will be encountered. The following addresses some of those concepts common to all. For a further explanation, please see "Understanding State Finances and the Budgeting Process" published by the Legislative Fiscal Division. The publication is available on the Internet at: http://leg.mt.gov/content/publications/fiscal/leg_reference/legislator_training_manual.pdf and from the Legislative Fiscal Division at:

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What is the Appropriation Authority for Funds Included in the Agency Profiles?

Before an agency can expend funds, it must receive authorization to do so through an appropriation, or through general laws⁵. The agency profiles include expenditures of funds appropriated in the three ways in which appropriations are provided: 1) temporary appropriations bills (most notably HB 2, the general appropriations act); 2) statutory appropriations; and 3) budget amendments⁶.

- 1) Temporary appropriations are made for a two-year period and then expire. Most appropriations to operate state government are made in one temporary appropriations bill – HB 2, the general appropriations act. Appropriations can be made in other temporary bills as well, generally called "cat and dog" bills. While many functions of state government are ongoing, the legislature must still reauthorize funding for those functions every two years.
- 2) Statutory appropriations are made within codified law and do not expire. Rather than examine these appropriations every two years, the legislature allows the function to be funded on an ongoing basis, and must change statute to adjust the appropriation in any way.
- 3) Budget amendments are approved by several approving authorities when the legislature is not in session. The legislature has provided this authority in order to allow agencies to access funds that become available during the interim. No general fund may be added through a budget amendment, and the funds must become available after a time in which the legislature could have acted on the request.

⁵ No funds may leave the treasury without a valid appropriation. Certain funds, such as private funds bound by the terms of a contract, can be expended under general laws.

⁶ The profiles also include internal services funds made available under general laws. For an explanation, see the section entitled "What Types of Funds are Included in the Agency Profiles".

What Types of Funds are Included in the Agency Profiles?

Governmental accounting consists of several funding sources classified by source and use. The agency profiles include the following funds:

- 1) General fund
- 2) State special revenue funds
- 3) Federal special revenue funds
- 4) Internal service funds that fund operations that serve other agencies of state government
- 5) Lottery and liquor warehouse enterprise funds.

Definitions

- General Fund is defined as all financial resources except those required to be accounted for in another fund. General fund is primarily general tax revenues (generally applied across a very wide spectrum of taxpayers) used for general purposes of state government. Because general fund can be used for any purpose within the law, the legislature generally is more concerned with the use and availability of general fund than with the other sources of revenue.
- State special revenue is defined as money from state and other sources that is earmarked for the purpose of defraying particular costs of an agency, program, or function. To provide a little further differentiation from general fund, state special revenue is derived from specific, rather than general tax or fee sources, and used to fund the costs of specific functions. There are hundreds of state special revenue accounts in state government. They range from the very large (the accounts that receive all state fuel taxes) to the very small (such as the account that accounts for revenues and expenditures of the Mint Committee).
- Federal revenue is, as the name implies, revenue from federal sources. These funds are made available from the federal government for specific purposes and must be used within federal confines and guidelines. Federal funds can also come with requirements for state matching funds, or with the requirement that the state provide a certain level of overall state funding.
- Proprietary Funds. There are two types of proprietary funds: 1) internal service; and 2) enterprise.
 - Internal Service Funds are used to account for operations that provide goods or services to other agencies or programs of state government on a cost-reimbursement basis. As of the end of fiscal 1999, there were 24 internal service funds, including Information Services Division, the Investment Division, and the state motor pool.
 - Enterprise Funds are used to account for operations that provide goods or services to the public on a user charge basis. In other words, for any operation that essentially acts as a business. With the exception of lottery and liquor warehouse revenues, enterprise funds are not included in the agency profiles.

Other Terms

FTE (Full-Time Equivalent) - The equivalent of one person working full-time for the entire year. FTE is the standard way of measuring the number of state positions.

Expenditures by state agencies are recorded and reported by type of expenditure.

- Personal Services – Expenditures for salaries, benefits, per diem, and other additions, such as overtime.
- Operating Expenses – All operating expenditures that do not meet the personal services and capital outlay classification criteria. These expenditures include, but are not limited to, professional services, supplies, rent, travel, and repair and maintenance.

- Equipment – Expenditures for equipment costing in excess of \$5,000 (equipment below this threshold is expended under operating expenses).
- Grants – An expenditure category used to account for the payment by a government entity to an individual or other entity that will perform a service.
- Local Assistance – An expenditure classification primarily used to account for expenditures made for K-12 funding provided by the state to school districts and other distributions to local governments.
- Benefits – An expenditure category used to account for the provision of payments or services by the government to individuals who qualify for receipt of those payments or services, such as Medicaid benefits. Personal services benefits for state employees are included in the personal services expenditure categories.

Terms unique to individual functions, such as the Montana University System and Medicaid, are explained within the individual agency profiles.

AGENCY PROFILES AND THE BUDGET ANALYSIS - CROSSOVER

The expenditure totals in the agency profiles and the LFD Budget Analysis agency tables will not be equal in most instances.

The agency profile documents are designed to both stand alone as reference documents, and supplement the budget analysis conducted by the LFD for each legislative session. The budget analysis is produced to aid the legislature in setting its fiscal priorities and reflecting those priorities in HB 2 and other fiscal legislation. It does this by providing an objective analysis of the Executive Budget and the state's fiscal picture.

The budget analysis contains detailed tables for each agency of actual, appropriated, and proposed expenditures for the current and coming biennia. Because the budget analysis is designed to aid the legislature in establishing HB 2 appropriations, only those expenditures appropriate to HB 2 are included:

- Funds originally appropriated in HB 2
- Pay plan changes made and funding provided in HB 13 (the pay plan bill) by the previous legislature
- Other appropriations bills passed by the previous legislature and intended to be ongoing

As a consequence, no actual or anticipated statutory appropriations or budget amendments are included in the totals. Internal services funds do not require an appropriation in HB 2, and so are also excluded. As stated earlier, the agency profiles include these additional funds. Therefore, the expenditure totals in the two documents will not match, and proposed expenditures in HB 2 cannot be compared to actual expenditures in the agency profiles to determine either dollar or percentage change.

ENDNOTE

The Legislative Fiscal Division hopes these documents provide a valuable resource to decision makers and interested persons to better understand our state government. If you have questions about any of the information contained within the individual agency profiles, you are urged to contact the individual analyst assigned to each agency. A listing can be found at <http://leg.mt.gov/css/fiscal/staff.asp>.